2. ECONOMIC DECLINE

a) The rise and fall of the African economies

The African economy is marked by many coexisting forms and levels of economic activity. This is due partly to the rapid introduction, in historical terms, of new economic activities, and partly to the limited scope and success of these innovations. As a result, older systems and socioeconomic practices have inevitably survived, often continuing up to the present day. The oldest modes of subsistence – hunting, gathering and fishing – are still widely practised in parts of the continent. Livestock raising and agriculture have also been practised for centuries, initially for subsistence and then increasingly for sale on domestic and international markets. Over the course of the twentieth century, new trades and industries evolved. The final branch on the tree of economic activity emerged at the end of the twentieth century in the form of a large informal sector employing many people, notably in the service industry.

Colonialism had important consequences for economic life in Africa. One innovation was the introduction of a cash economy. Money was needed to buy and sell goods; workers at European companies received cash and the colonial authorities began to collect taxes that had to be paid in the same form. Of course, this cash economy was concentrated around the European settlements, but it spread rapidly. More and more Africans began to work in the settlements, either voluntarily or under duress. Labour migration, which had probably always been quite widespread in Africa, became even more common. Often it was just the men who migrated, leaving their women and children behind in rural areas. Sizeable towns grew up around the centres of economic activity. Migration and urbanisation, which became familiar features of postcolonial Africa, had their origins in the colonial period or even before.

The introduction of marketing boards in the colonial period also deserves mention. These were government agencies that bought up agricultural produce from African growers at a fixed price before selling it on elsewhere in the colony or abroad for a higher price. The purpose of this system was to guarantee the farmers a fixed minimum price despite fluctuations in the value of their products on the world market, by using the revenue generated in good years to shore up prices during bad ones. Of course, it also channelled profits from the agricultural sector to the state in the form of tax revenue. Following independence, the marketing boards would continue to be used to exploit the rural population, just as they had been under the colonial administration.

The growing output of the African economy in the colonial period was not matched by wider sharing of its benefits. The modern sectors of the economy, where this growth was taking place, were little more than outposts of the European economy, and the profits they generated therefore remained in European hands, with the exception of the wages paid to African workers. Although initiatives to promote development and improve the lot of the African population were put forward during the first half of the twentieth century, little or nothing came of them. It was not until after World War II that the European administrators in both the British and the French colonies drew up programmes for the development of the African economy. In the years just prior to independence, these took the form of three or five-year plans.

From the beginning of European rule in Africa, the European powers held the view that the colonial administrations should be self-sufficient. The European authorities needed public funds chiefly to maintain order and security, to develop infrastructure and, as time went on, to fund education. Each colonial administration was supposed to generate these funds on its own. During the early decades of formal colonialism, they fell far short of this goal and additional funding had to be drawn from the treasuries at home. However, the colonial authorities in Africa were increasingly forced by their governments to look for ways of generating income locally. Gradually they became more successful. Taxes began to account for a growing share of their revenues. Direct taxation remained limited, but other levies, such as import and export duties, rose. Colonial administrations were
Increasingly able to obtain all the funds they needed from the local population. According to some analysts, this approach set the stage for the lifestyles adopted by the ‘rent-seeking’ post-independence African elites, who used the apparatus of government to extract ‘rents’, or uncompensated, unearned transfers of income.

For many African countries, the years immediately following independence were economically successful. A new period of growth had begun straight after the global depression of the 1930s, which had hit Africa hard. The continent had been economically quite important during World War II, as it was sometimes the only supplier of products that the warring powers could no longer obtain from their usual sources. After the war, the top priority of the colonial powers had been to revitalise their own economies. This had both created considerable demand for African products and reduced the availability of European products in Africa. These circumstances had made it possible for Africa to begin industrialising. The African economy as a whole grew rapidly, and income – including that of the colonial administrations – went up. Some African colonies even made loans to Europe. By around 1960 the reconstruction of Europe was well under way, but the end of Africa’s boom years was not yet in sight.

The first independent African governments placed almost all the emphasis in their economic policies on the most recent phase of the West’s immensely successful development history (which was also the road chosen by the Eastern Bloc): namely, industrialisation. This was not just prompted by a desire to follow the example set by the West but was also a response to explosive population growth in Africa, which had accelerated rapidly following the introduction of Western medicines to combat infection during the first half of the twentieth century. Accelerating population growth – faster than anywhere else in the world due to the high African fertility rate – raised the question of what role this large future pool of potential workers could play in the economy. Agricultural development would not create many new jobs; in fact, the modernisation of farming methods generally reduces employment. The best solution was therefore felt to be the further expansion of the fledgling industrial sector. However, this could not be financed in the same way as it had been in the West, from the revenue generated through improvements in agriculture, since the agricultural sector in Africa was on the whole not nearly profitable enough for that. In any case, any profit that was generated (primarily from export crops) either disappeared abroad or was not used productively in Africa itself. There was, moreover, very little private capital in Africa. Instead, foreign loans and the authorities’ own limited reserves were consistently used to fund industrial development.

From the very outset, the state played a key role in the industrialisation of Africa. It had assumed this role immediately after World War II, before the end of the colonial era. At that time, European savings were being channelled into reconstruction on the home front. It had in any case been recognised as early as the Depression that the state could and indeed should play a role in promoting economic development in Africa. The first independent governments felt this need even more urgently; African private investors had neither the means nor the experience to set up independent businesses. Public-sector involvement was also fuelled by an ideological argument, namely that the capitalist strategy pursued by the European powers had been a means of exploiting Africa. The strength of the Soviet Union at this time suggested that there was an alternative. It was thought that socialism (or communism, if you like), with a strong, central role for the state, could yield development without exploitation. Moreover, even the poorest citizens could feel that, through the state, they had a share in the means of production. State-owned industries therefore emerged in many African countries, alongside the European companies that maintained a presence on the continent. As a result, employment in the industrial sector continued to grow, until by around 1970 it accounted for nearly ten per cent of total employment across the continent. The growth of the economy in the 1960s and early 1970s was due to this new industrial sector.

The choice in favour of industrialisation was also a choice in favour of urban centres. Political stability depended on a reasonable standard of living for the rapidly growing urban population, or at
least the prospect of one. For the African elite, who had inherited the key state positions, support from the residents of the towns and cities, even if merely passive, was vital. Above all, support was needed in the capital. In contrast to this direct link between political power and urban support, rural areas had far less political clout. They were simply too far away. In the countryside, personal ties with the elite led to even greater imbalances of power than in the cities, or else were totally absent. The inhabitants of rural areas led an isolated existence and were both economically and socially disadvantaged. Levels of political awareness and organisation were low. Since political challenges were unlikely to come from this quarter, investment in rural areas was not thought to be worthwhile. The state marketing boards simply removed agricultural produce from the countryside under a socialist redistribution system to sell in the cities or abroad. This provided revenue for the state and low-cost food for the urban population, but resulted in the farmers being paid less than they would have in a free market (diagram IV).

Rural Africa increasingly lost out under this policy until well into the 1980s, in terms of both food production and living standards. Since any profits were inevitably skimmed by the state, the sector had no capital to invest in modern means of production. This stood in stark contrast to developments elsewhere in the world, for example in Asia. Nor could assistance from outside the sector be expected. The state had no strategy for investment in agricultural production, physical infrastructure or the proper functioning of markets. Under these circumstances, the farming population was forced to concentrate on providing for itself. Rather the agricultural sector becoming an economic engine by modernising its means of production, more of it reverted to subsistence farming. The outside world, in the form of the state, had exerted such a negative influence on the living standards of the rural population that this appeared to be the best way of surviving. This inevitably had devastating consequences for the supply of food to the rest of the country, since it became increasingly difficult for the authorities to provide the urban population with food at affordable prices. As early as the 1970s food had to be imported from outside Africa – a disgraceful situation for a large continent with a small population, and a heavy burden on the public purse.

The vulnerability of Africa’s food supply came to the fore in years of drought. The famines of the 1970s in the Sahel, along the southern edge of the Sahara, were particularly devastating. From Senegal on one side of the continent to Ethiopia on the other, tens of thousands of people and millions of animals starved to death. In the 1980s, it was famine in Ethiopia that once again attracted international attention. Ghana was struck by famine in 1982 and 1983. These disasters were linked to a variety of factors – drought, overpopulation, overgrazing, hostilities – but the main reason for the weakness of the African agricultural sector was neglect and even exploitation by government. Per capita food production fell over the 1980s in twenty-five of the thirty-six countries for which figures were available.² Although the total population living outside urban centres increased due to the overall rise in the population, the percentage of Africans living in rural areas and working the land declined from approximately eighty per cent in the 1960s to well below seventy per cent around 1990. Africa was less and less an agrarian continent.
Diagram IV: Urban centres and countryside

- International actors
- International ties of the elites
- National elites
- Domestic ties of the elites
- General population
- Countryside
- Urban centres
Unfortunately, the decline in agriculture was not offset by growth in industry or the service sector. Africa did not become a more industrial continent. In fact, industrialisation began to falter around 1970. The state-owned companies were operating less efficiently, partly due to the need to absorb large numbers of workers. Moreover, they were almost always incapable of keeping up with foreign competitors. Tariff barriers provided some protection; even so, losses mounted as the years went on. Company closures could not usually be contemplated due to the political implications. State-owned industries were a liability in financial terms, but they were a useful tool in domestic politics. Only with international support did Africa manage to sustain employment in industry at an average of just under ten per cent of the workforce. The 1970s and 1980s were a time of contraction rather than growth.

As we have seen, the years immediately following independence were economically successful, better even than those at the end of the colonial period. However, the 1970s saw the beginnings of an economic recession, followed in the 1980s by a full-blown economic crisis. The ideal of a self-sufficient, prosperous economy had come to nothing. The main economic sector, agriculture, had turned in on itself. The industrial sector could only be kept going in the face of substantial losses. There were no cohesive national economies with links between the various regions, or supply chains within and between sectors. In fact, Africa’s economies had become ever more fragmented. Their international competitiveness and hence their profitability had fallen dramatically compared to every other continent. In around 1960, African countries were still holding their own against the East and Southeast Asian countries in terms of economic development, but by the 1980s a yawning gulf had opened between them.

The fact is that, despite the sometimes substantial differences between African countries, the continent as a whole fell far behind the rest of the world in economic terms. This suggests that Africa may have been beset by certain characteristics or problems that were less prevalent or even absent in developing countries on other continents. The traumatic effects of the slave trade and of colonialism may have been a factor in the often anti-Western and anti-capitalist approach that characterised postcolonial development. Perhaps for this reason, African governments tended to embrace a socialist model that eventually proved unable to produce development. The status of the new political elite (another legacy of the colonial era) further worsened this situation. The economic policies pursued by the African leaders were informed mainly by a desire to ensure their personal survival by powerfully reinforcing their own position within the state. As a result, these governments generally kept the value of their own currencies artificially high, which reduced the relative cost of imports (consumption) and made exports (production) comparatively costly. Other prongs of this approach included duties and subsidies. Food subsidies benefited the urban networks of the politicians (consumption) at the expense of the rural populations (production). And while this made it possible to build up a more or less loyal urban following, in the long term it was neither economically nor financially viable. Economic decline brought an end to the ideal of development. The rulers of these countries were primarily concerned with their own survival: ‘Staying afloat was more important than going somewhere.’

The unbalanced development of the African state and economy must be seen within the context of both African history and the international scene. The phases into which the continent’s economic fortunes are divided almost exactly coincide with major developments in the global economy. Unlike in the period from 1940 to 1970, from the 1970s onwards economic changes in the rest of the world would have a largely negative impact on Africa’s economies.

b) The oil crisis and the fall of the Berlin Wall

The serious economic problems with which Africa has struggled in recent decades perhaps too readily create the impression of a weak continent that has always been easy prey to the world’s political and economic superpowers. That picture is historically inaccurate. As mentioned, the final two decades of
the colonial era and the years between independence and the 1970s were good ones for African industrialisation and exports. During this time, the African economy as a whole grew substantially. Alongside the pessimistic warnings about Africa’s future economic prospects, there were also highly optimistic forecasts. Even after the first setback, in the form of the oil crisis of the mid-1970s and the simultaneous deterioration of the ratio between the prices of African exports and imports (the terms of trade), many continued to believe for some time that conditions would improve once more.

In 1973, Israel fought a bitter war with its Arab neighbours. The Organisation of the Petroleum Exporting Countries (OPEC), which was dominated by the Arab oil-producing nations, used its power over the world oil market as a political lever by sharply raising oil prices. The immediate consequences were that oil producers saw their incomes shoot up (in Africa this meant primarily Nigeria, Gabon and Angola), but that other countries, which were forced to import oil at progressively higher prices to keep their economies running, were spending more and more for the same volume of imports. Countries that needed large amounts of oil for their export industries were to some extent able to offset these higher import prices by passing them on in the prices of their exports. This generally made industrial outputs more expensive. As a result, African countries without their own oil (the vast majority) had to pay far more not only for their oil imports but also for the other – often industrial – products that they required. The terms of trade differential between industrial products and primary commodities (agricultural products and minerals) thus shifted in favour of the industrial products. During the mid-1980s, for example, Zaire and Zambia were being paid just over half of what they had been receiving ten years earlier for the same volume of copper exports (on which they were both heavily dependent).

This body blow to the African economies was further aggravated by measures taken by the Western nations – which were by far the most important of Africa’s export markets – to compensate for their own economic difficulties as a result of the rising price of oil. Practically all the developed countries began to make cutbacks which reduced their imports, including those from Africa. African exports began to decline during the 1970s. Yet import levels remained relatively high despite the higher costs. Inevitably, there was a price to pay, and practically all the African countries ran into financial difficulties. At precisely this time, however, banks in the developed world began to provide loans to these countries on quite favourable terms, making it possible to plug the financial gaps. This came about because the oil-exporting countries, most of which were in the Middle East, had placed their huge capital reserves with the Western banks, which then had to find somewhere to invest them. The restrictive economic policies pursued by the West, and the accompanying recession, meant that not all of these ‘petrodollars’ could be invested in the Western economies. The banks saw no alternative but to lend these surplus dollars to developing countries, including many in Africa. Before the oil crisis, the size of the collective public debt in Africa - just over five billion US dollars - had not been particularly noteworthy. However, from the second half of the 1970s onwards the size of loans to Africa began to rise very rapidly. By 1980 the collective debt burden in Africa had reached nearly USD 50 billion and by 1990 it had climbed to USD 150 billion.

Borrowing is not unusual or inherently imprudent. All developing economies borrow, often in substantial amounts. This money is used to make investments that will boost production or raise productivity levels, which will in turn generate extra revenue, some of which can then be used to repay the loans. The improvements make it possible to take out new loans and bring about yet more improvements, and so on. Borrowing therefore often goes hand in hand with economic growth. In Africa, however, this was not the case. The money borrowed was used neither to boost production nor to increase productivity. More often it was used to redeem existing debts, pay public-sector wages, shore up loss-making state industries and pay for imports. These imports almost always consisted of consumer goods, rarely of capital goods. Politically and socially, these imports were crucial. The duties raised on them funded a large share of the national budget, and imports were used either directly or indirectly to fuel the clientelist networks that kept the continent’s political and social systems up and running.
The decline in the terms of trade during the 1970s, caused by rising oil prices, was gradually intensified in subsequent years by another factor, an insidious process that had long gone unnoticed. The belief was that following years of economic downturn, the economy would recover once more, resulting in higher export prices for African goods and lower import prices. It was simply seen as a matter of waiting for better times, with the remaining reserves of the marketing boards (accumulated in earlier, more prosperous years) and new loans being used to tide things over in the interim. However, the much-hoped-for and much-needed improvement in the terms of trade did not materialise; in fact, the downward trend continued. In the 1980s the prices of primary products continued to fall against those of industrial products.

It gradually became clear that the falling terms of trade formed a structural problem. The underlying causes included the emergence of alternative products made of other materials, such as synthetics, and a widening of the product range. Then there were the effects of the evolving Western economy, which was turning out products (such as computers) that incorporated a large body of new and expensive knowledge, skills and information. These gained in economic importance compared with unsophisticated products such as agricultural commodities (tea, coffee, etc.) or raw materials, and this was reflected in the plummeting prices of the latter. There was no prospect of this process being reversed. In fact, it was far more likely that the rate of economic innovation in the West, and hence the relative decline of the African economy, would continue to accelerate. Africa’s poor economic outlook generated pessimism about the continent’s future. The changing world climate following the end of the Cold War quickened the pace of international economic developments. The term ‘globalisation’ was coined for this process, which during the 1990s was almost as important for areas on the margins of the global economy, including Africa, as it was for those at the centre (see chapter 7).

In the late 1980s the African economy sustained a second blow, caused by international developments following the end of the Cold War. The fall of the Berlin Wall in 1989 and the subsequent collapse of the Eastern Bloc reduced Africa’s strategic significance. Some primary products, such as uranium from Niger and manganese from South Africa, suddenly lost their importance for the former adversaries in the North. The prices of these commodities soon slumped. Moreover, the former Eastern Bloc had now been opened up to the Western economy, releasing raw materials and other products onto the world market, again to the detriment of the prices for these products, which included some of Africa’s major exports. Without a doubt, the end of the Cold War structurally weakened Africa’s position in the global economy.

c) Economic decline and externally imposed reforms

Throughout the 1960s and 1970s and in later years, it was often claimed that economic progress in Africa, and in developing countries in general, could be achieved only by putting in place a new economic order. The poor countries were said to be caught in the economic grip of the rich ones. It was even argued that poverty in the Third World was due to the prosperity of the industrialised world (see also the introduction). However, from the 1980s onwards, belief in such a dependency relationship (dependencia) began to wane. Some developing countries had, after all, succeeded in fighting their way out of poverty. Prosperity in East and Southeast Asia rose sharply following improvements in agriculture, the development of a service sector and industrialisation. Large parts of Latin America had also managed to pull themselves out of the poverty spiral. In fact, only Africa had been left behind. The result was less discussion about the development problems of the Third World and more about the problems of specific regions, especially Africa.

This change affected economic thinking about development. Around the 1970s, when analysts were examining the dependency relations between rich and poor, it seemed that there were two types of economies: first, those of the rich, industrialised world, and second, the developing economies. The central question was how poor countries could make economic progress. From this perspective, the situation of poor countries was fundamentally different from that of rich countries, mainly due to
inferior initial conditions, their dependence on the prosperous West and their distinct social structures. These structures, it was argued, prevented the laws of economics that applied in the West from working in poor countries. Proponents of this ‘structuralist’ view attached relatively little importance to the free market and advocated a bigger role for the state in the economy.

However, when some Asian countries were successful at development despite the continued presence of ‘underdeveloped’ structures and the adverse nature of the global economy, the influence of structuralist thinking on the economy of developing countries weakened. Clearly, then, the structure of the worldwide economy did not have to change in order to give developing countries a chance to grow. South Korea, Taiwan, Singapore, Thailand and Malaysia had already proved this point. It was far more important for the governments of developing countries to pursue the right policies and turn international conditions to good effect. The fact that Africa’s problems lay at its own door rather than beyond it was also shown by the experiences of the African oil-producing nations, notably Nigeria. Despite its extra revenue as a result of rising oil prices, it was no better off than African countries that had no oil (and therefore no oil revenue). The crux of the matter was whether or not the available funds were being used productively.

The return on investment in Africa had fallen dramatically in some sectors. As a result, many transnational companies began focusing on just one or two sectors (such as the oil industry) where they knew there were still substantial profits to be made. This strategy ensured that the high risks involved would be commercially acceptable. This made it seem as though the return on investments in Africa was still considerable, while in truth this high average return was only achieved by disposing of activities in less remunerative sectors. While for Asia, exports were the main engine of development, Africa’s share of exports (excluding oil) on the world market fell from seven per cent in 1970 to four per cent in 1985. Both the industrial and agricultural sectors either stagnated or declined. And with the population growing at a record rate of up to three per cent a year, Africa’s economic and social problems mounted ever higher. This state of affairs was quite simply untenable; the African nations had to reform their economies and economic policies.

Because African production and marketing methods were now out of date and the continent’s competitiveness was on the wane, debt (both internal and foreign) increased. International lenders began to realise that at least some of these countries were unlikely ever to repay what they had borrowed. In financial terms, Africa had become a bottomless pit. A radical overhaul of its economy was urgently needed to turn the tide. However, due to the political and social structure of the African countries, the chances of their governments being able or willing to carry through the necessary reforms under their own steam were remote. The initiative for change instead came from the international lenders themselves.

It was primarily the International Monetary Fund (IMF) and the World Bank that put pressure on African governments to carry out what were termed adjustment programmes, aimed at adapting these countries to the international economic environment. Since these reforms were generally focusing on the structures already in place (thereby to some extent vindicating the structuralists), the reform process was called structural adjustment. In reality, however, structural reform was only a second stage following a more fundamental adjustment, namely macroeconomic stabilisation. The African economies had to achieve financial equilibrium before they could be adjusted to fit into the global market.

The structural adjustment programmes therefore aimed to improve both internal balance (the budget) and external balance (the balance of payments). African governments were not allowed to spend more than they acquired in income and they had to take steps to tackle their high levels of inflation. Only when this had been achieved could the real work of structural adjustment begin, with financial assistance from the World Bank and other donors. The IMF and the World Bank set out how stabilisation and adjustment would take place without significant input from African governments, whose willingness to cooperate was in any case limited, given that the first priority of the reforms
was to curb public spending. But these governments had no choice; they had become too financially dependent on the West to offer any genuine resistance. To keep the loans coming, they had to reform.

The first structural adjustment programmes were introduced around 1980. At first, their scale was modest but over time they became more and more comprehensive. They were introduced not just in Africa but also in developing countries on other continents. In the 1990s, even the industrialised nations were increasingly forced to adapt to the demands of the global market. To some extent, globalisation made it necessary for any country wanting to capture or retain a share in the global economy to carry out ongoing structural adjustment. In any case, at the time the programmes began, the African economies had gradually been driven to the margins and no longer played a significant global role. Structural adjustment was intended to change all that. Since the reform programmes lasted many years, by the second half of the 1980s and the early 1990s almost every African country was carrying one out, under the direction of the World Bank and the IMF. These were not standardised programmes, and they sometimes differed substantially from country to country. The measures that were included also changed over time as the designers learned from their mistakes. However, the programmes had a number of common characteristics.

First, they were designed to reduce the role of the state. The state’s hold over the economy may have been understandable from a historical, political and social perspective, but its economic disadvantages had begun to predominate. ‘Market forces’ was the new rallying cry. The physical size of government was also a problem. Sprawling bureaucracies had to be scaled down, if only to bring their costs under control. The machinery of government placed too great a financial burden on the budget. Because African governments had borrowed heavily to reduce their budget deficits, rising global interest rates in the 1980s created an even bigger debt burden. These debts sometimes even outstripped a country’s Gross National Product. The annual loan repayments of the larger countries very soon equalled a quarter to a third of their export revenue. Governments quickly began to print more money, which in turn pushed up inflation. By slashing public spending (mainly by scaling down the bureaucracy) and tightening monetary policy, the World Bank and IMF tried to stabilise the macroeconomic and financial situation in the African countries.

Second, they sought to expand the role of market forces. Mainly, this meant devaluing the local currencies, which in almost all cases had been kept artificially high to push down the relative cost of imports. This benefited the elite and urban consumers. The often drastic devaluations that were imposed therefore hit these groups hard but made life easier for producers, and for exporters in particular. Earlier policies had overemphasised consumption at the expense of production. Devaluation corrected this bias. In practice, however, the shift was less extreme than in theory, since there had almost always been a black market and this had injected some degree of competition into the system. The move to floating exchange rates was painful for government officials and others with fixed salaries paid in local currencies. The countries that had adopted the CFA franc as their currency did not at first take part in devaluation; France did not agree to the measure until 1994.

Third, the World Bank and the IMF insisted that governments sell off many of their almost invariably inefficient state-owned companies to the private sector. These were either companies that had been nationalised following independence or state-owned companies set up in the same period. Collectively, they were a huge drain on the state budget. The marketing boards also had to be closed down. These institutions, which had bought up agricultural produce from farmers at a fixed price before selling it on at a mark-up (which effectively created an export duty), were a major obstacle to a properly functioning rural economy. However, the closure of these boards came as a severe financial blow to the state. In many countries, the revenue collected by the marketing boards, especially the duties on exports, had formed a large share of the state budget. In Uganda, the sale of tea accounted for more than half the national income thanks to this method. Even in countries with a more diversified economy, such as Ivory Coast, the marketing boards had generated at least a quarter to a third of public revenue. The abolition of these institutions was intended to provide an incentive for farmers, boosting production and ultimately creating a supply of cheaper food.
Finally, African states were generally expected to refrain from price-setting. Not only were fixed prices for agricultural produce abolished, but a wide range of subsidies and tariffs also disappeared in whole or part. These subsidies and tariffs had been designed to improve conditions for certain groups relative to others. Frequently they benefited consumers at the expense of producers. The abolition or reduction of food subsidies was, of course, a highly contentious measure. The same applied to the introduction of fees in some countries for services that had until then been free of charge, such as education or health care. People now had to start paying for the goods and services they received. The assumption was that this would persuade the public and organisations to adopt a more ‘rational’ (in the economic sense) approach to money, which would in time boost both productivity and returns on investment, and ultimately increase prosperity. The aim of dismantling protective tariff barriers which sheltered unproductive companies was to force these enterprises to become more competitive. In practice, however, this led to major difficulties because the companies were unable to adjust in time. The outcome: yet more company closures and lost jobs.

d) Effects of the structural adjustment programmes

It is still almost impossible to obtain a reliable picture of the overall results and effects of the structural adjustment programmes in Africa. Evaluations of the adjustment process have simply perpetuated the debates of the Cold War period. Adherents of the market mechanism saw only the benefits of capitalism – a view seemingly vindicated by the collapse of the socialist model – and therefore initially refused to acknowledge any problems with the introduction of a free-market economy in Africa. This viewpoint was represented most notably by the international financial institutions themselves, who were the architects of the programmes. Although organisations cannot be expected to be the harshest critics of their own activities, the assessments made by the World Bank, which was closely monitoring the progress of the reforms, were nevertheless remarkably optimistic. Around 1990, its overall conclusion was that structural adjustment was working. It found that economic growth was highest in those countries where the reforms were being most effectively implemented. Countries that were not adapting were still in the economic doldrums. The remaining problems were the result, it concluded, of inadequate adjustment. Consequently, in the 1990s the World Bank’s message to the stragglers was clear: their progress depended on liberalisation of their economies.

This irked practically everyone who was ideologically opposed to the market-based approach. That included large numbers of Africans, both in and out of government. But the fiercest criticism came from Westerners who had been involved in African development, sometimes for many years: field workers and members of action groups or universities. The main approach many of them advocated was development centred on the individual, a notion which paradoxically often translated into a high degree of state involvement, guidance and planning. The failure of this model in Africa, together with the collapse of the Eastern Bloc, had forced this group to rethink its views slightly, but they never went so far as to embrace the free market. The possibility that, like the socialist Eastern Bloc, Africa might also be lost to capitalism was too unpleasant for them to contemplate. Both their intellectual energies and their frustrations were therefore turned against the reforms that sought to liberalise Africa. Their barbs were directed at the IMF, the World Bank and structural adjustment. They were no longer able to halt the programmes – the international balance of power had shifted too radically – but they could at least highlight the failures of the approach. This produced a wealth of literature, sometimes general, sometimes highly detailed, with the message that structural adjustment was leading Africa down the road to ruin. Even when the need for liberalisation measures was accepted, they were said to be proceeding far too rapidly, in the wrong order, with unacceptable social costs and so on.

The mystery is how there came to be such widely differing views on the impact of the reforms. What made the situation in Africa open to so many interpretations? One explanation involves the statistical material
concerning the results, or rather, the lack of such material. Structural adjustment was meant to generate clear economic improvements that would be reflected in figures on both the overall state of the economy (the ‘macro level’) and the situation of individuals and families (both producers and consumers, the ‘micro level’), plus the structures in between, such as the agriculture and health care sectors (the ‘meso level’). When no figures were available, it was anyone’s guess whether or not the intended changes had occurred. Even when statistics were available, they were frequently so unreliable that they could be used to back up almost any interpretation. For example, the figures produced for whole countries sometimes only reflected the situation in the capital city.

A second reason that the results of the reforms received so many different interpretations was the difficulty of showing a link between the numerical data (on the few occasions where they were reliable) and the structural adjustment programmes themselves. Some economic and social trends had begun long before the launch of the reforms and continued to make themselves felt. Moreover, major global events sometimes took place while the reforms were being carried out, such as a large fluctuation in the price of a country’s main export product on the world market. Nor was it clear in advance how long specific adjustment measures would take to have visible effects. Moreover, for political reasons, the reforms promised by African governments were by no means always implemented and were sometimes reversed at a later stage (see the final section of this chapter). Certain sectors, such as the financial sector, often remained completely untouched. As a result, evaluations of the effects of structural adjustment in Africa gave rise to a mass of often contradictory conclusions.

So was structural adjustment (in the period up to about 1990) successful or not? It is tempting to give an answer based on one’s own ideological preferences, but that would add nothing to the debate. It is equally tempting to conclude that the truth lies somewhere in the middle, but this is also unsatisfactory. The fact is that the model of large-scale state intervention, with its panoply of rules and a minor role for market forces, failed in Africa. By the early 1980s the African economies had been thrown completely out of balance, financially and otherwise. Stabilisation was thus a prerequisite for the adjustment process, and it had to take place quickly. Without macroeconomic stability, countries would be incapable of development. Only socialist diehards and the most hard-headed advocates of ‘people-centred’ development were unwilling to recognise this. When they were carried through, the reforms that targeted macroeconomic stability were usually successful. External conditions, notably prices on the world market, sometimes greatly helped or hindered the process.

If we look at the cutbacks that governments made and at the additional revenue they generated in an attempt to balance their budgets, the picture varies from country to country. The way in which public expenditure was reduced had a large social impact, since it affected not just the salaries of government employees but also the costs of health care, education, food subsidies and so on (see the next-to-last section of this chapter). The picture on the income side is equally varied. The tax system improved in some countries, but in others the size and composition of public revenue barely changed, presumably because self-serving national elites gave a low priority to these reforms.

A key component of the structural adjustment programmes was ‘getting the prices right’. Market forces were intended not just to set realistic values for local currencies but also to bring prices on the domestic market to more realistic levels. Initially this meant devaluing the national currencies, a process that took place only later in the CFA zones, where the CFA franc had a fixed value against the French franc (see next section).

While the deregulation of prices apparently improved domestic economies, it had disappointingly little impact on relations with other countries. In most cases, there was no real promotion of exports. The main problem was probably the low competitiveness of the private sector. Despite lower production costs, it remained difficult for African companies to capture a larger share of the international market. This was one reason that the anticipated boost for private enterprise did not materialise. Of course, it is reasonable to ask how quickly the private sector could be expected to respond. It is next to impossible to build up an efficient, competitive enterprise until a whole raft of
conditions are in place: trained managers and personnel, for instance, and readily available capital. The environment also has to be conducive to private enterprise, with markets for products, labour and finance, plus legal and physical security. Often, many of these conditions were not satisfied.

A key aspect of many programmes was to make inefficient state-owned enterprises more cost-effective. In many cases, this meant privatisation. However, selling publicly owned companies to the private sector was a tricky proposition in countries where there were few, if any, entrepreneurs not connected to the government. As a result, the sale of state-owned enterprises was highly politicised. The companies often enjoyed a statutory monopoly that was later handed on to their market-based successors. Though not legally protected monopolies, these new private-sector enterprises benefited from the absence of competitors, as well as informal political protection that prevented such competitors from emerging.

As a result, economic monopolies passed into private hands. According to some commentators, this made the situation even worse, since there was no public stewardship of private monopolies as there had been under state ownership. According to others, privatisation did at least generate economic benefits, for example in the form of a less bureaucratic company structure, fewer inefficient rules and more competition, especially on the labour market. This generally cut production costs, which in turn benefited the consumer. Moreover, it was better to have private monopolies turning a profit than state monopolies that were a drain on the public purse.

Nevertheless, many companies, both public and private, were unable to manage without help and, in the face of mounting competition, were forced to cut back or even close down. Some countries underwent ‘deindustrialisation’, more or less completely dismantling their domestic industries. Workers found themselves jobless and had to fend for themselves. For lack of alternatives, many sought refuge in independent economic activities not subject to regulation or other forms of state interference. Activities in this informal sector ranged from selling newspapers in the street to giving language lessons. The informal sector began expanding rapidly during the economic recession of the 1970s and 1980s. Structural adjustment programmes aimed to remove a large number of regulations that were distorting the market or restricting economic growth so as to allow the formal sector to expand again and absorb workers from the informal sector. Unfortunately, this did not happen. Rather than expanding, the formal sector shrank still further, forcing yet more people to try their luck in the grey economy. As a result, the informal sector became the main source of employment almost throughout Africa. By about 1990 it included more than sixty per cent of the urban workforce.

The barriers to starting a new business were formidable. Although the reforms did manage to improve the conditions under which new companies operated, fledgling businesses were often unable to weather the competition. The hopes of economic diversification were thus largely dashed. Moreover, countries continued to rely on just one or two export products. As before, oil was the economic mainstay in Nigeria, Angola and Gabon, tobacco in Malawi, coffee in Uganda and Burundi, and so forth. While the liberalisation of Africa’s economies sometimes improved matters locally, the small-scale entrepreneurs who benefited (many of whom were working in the informal sector) were either unable or unwilling to increase the scale of their activities, for example by producing for foreign markets. There was therefore almost no movement from the informal to the formal economy.

The reforms took root relatively well in the agricultural sector, and food production often rose substantially. However, other factors (such as rainfall) made it difficult to measure even the combined effect of the reforms on production and made it impossible to gauge their individual effects. However, the impact of structural adjustment on agriculture seemed generally favourable. The reforms were targeted mainly at removing or alleviating price distortions for producers (who had been paid far too little for their products due to tariffs) and consumers (who had not paid enough due to subsidies). Rural incomes went up, which improved the economy in many places, especially as the abolition of numerous regulations created opportunities for people to pursue economic activities outside farming. This expanded the range of small-scale economic activity in the countryside, blurring the strict
division between rural areas (where the only activities were farming and livestock raising) and urban centres (where everything else was done). New growth clusters arose: small towns with 20,000 to 30,000 inhabitants, which were chiefly based on agriculture but expanded to include other economic pursuits. In general, the new emphasis on market forces worked well in the countryside, especially near urban areas that could be served without high transport costs. Unfortunately, life did not improve in remote areas, which had done relatively well out of government intervention. When this intervention was removed, the rise in transport costs often made it too expensive for farmers to reach their markets. Consequently, these areas sometimes reverted entirely to subsistence farming.

The reforms in the countries that formed part of the Communauté Financière Africaine, the region that had adopted the CFA franc as its common currency, differed from the rest of Africa on one fundamental point. Many years before, France had guaranteed these countries a fixed exchange rate of fifty CFA francs to one French franc. This fixed rate gave the economies of the participating countries a sound economic base, both internally and in terms of international trade, foreign investments and loans. Inflation levels were identical to those in France, and therefore low by African standards. Companies knew what they could buy abroad with the currency, including in the long-term, and they could always exchange their francs for hard currencies. In short, they knew where they stood in every regard. Unlike practically all the other African currencies, the CFA franc had a strength that was economically favourable.

The CFA member states (all former French colonies in Africa with the exception of Guinea) were however required to relinquish some of their sovereignty in exchange for membership. The link between their currencies and the French franc meant that the CFA’s monetary policy was made in Paris. This strand of the colonial relationship had remained after independence; the ongoing link between the two monetary systems could in fact be regarded as a French neocolonial tactic since it prevented the CFA countries from promoting their own development through a unilateral monetary policy.

Many wondered whether the benefits of CFA membership outweighed the disadvantages. The governments of the participating countries evidently felt that they did. In 1962 Mali had withdrawn from the CFA and introduced its own franc in a bid to assert its independence, and the consequences had been disastrous. The Malian franc soon collapsed, with all the attendant problems. The government in Bamako did its best to be readmitted to the Communauté but did not succeed until the 1980s. Non-Francophone countries also showed interest in joining. In the 1980s, for example, Equatorial Guinea, a former Spanish colony whose neighbours were CFA members, gave up its own currency to become part of the CFA. France set limits on borrowing by CFA members and forced them to cap their budget deficits. One or two managed to get round this with creative accounting, by allowing public and semipublic enterprises (over whose finances Paris had no direct control) to run up huge debts. As a result, the debts of the Francophone countries sometimes appeared smaller than they really were.

One major disadvantage of the fixed exchange rate was the relative rise of the CFA franc as a result of the currency devaluations elsewhere in Africa and beyond. In the late 1980s, even the US dollar fell against the French franc. This undermined the competitiveness of the CFA countries, which found it increasingly difficult to export goods that other countries could supply more cheaply. During the 1980s, for example, vegetables from the Anglophone African countries supplanted those from the CFA on the European market. This led to extensive smuggling between the CFA countries and their non-CFA neighbours. Wages and prices in the CFA were generally high, but could not be sustained following the decline in its international economic competitiveness.

Take for example the economy of Ivory Coast, the biggest in Africa after South Africa’s and Nigeria’s. By the time Ivory Coast gained its independence, its economy was already fairly developed. During the 1960s, it had sustained an average annual growth rate of eleven per cent, and by the 1970s the economy was still growing by as much as six per cent a year. The Ivorian
government pursued a stable pro-Western course in close consultation with France. There was heavy investment in the country’s export production, especially from France. Ivory Coast became the world’s main exporter of cocoa. Coffee, hardwoods, palm oil and rubber were also sold abroad in large volumes. The generally high prices for these products on the world market made Ivory Coast increasingly prosperous. By 1980 it had overtaken its neighbour, Ghana, which had been wealthier at the time of independence but since then had suffered from political instability and disastrous socialist policy.

Prosperity gave rise to overconfidence, which became more pronounced from the 1970s onward. The government in Abidjan launched a programme of measures to reduce the influence of foreign capital and external control of the economy. Its aim was to ‘Ivorianise’ the country’s economy, especially its industrial sector. Because there was no home-grown private sector and no private financiers, the state took this task on itself. This gave rise to corruption and nepotism. The country’s elite misused the programme to appoint their friends to the well-paid jobs previously held by foreigners, some of whom were permitted to stay on and continue managing their former companies in an ‘advisory’ capacity. The government also sought to diversify the economy. Though essentially a prudent move, this was handled badly. State-owned enterprises were set up in sectors that were unattractive to foreign capital. These state-owned companies, many of which were placed under poor local management, were unable to make a profit. Their losses were borne by the Treasury, whose coffers had already been depleted by the rise in oil prices. Still, the government did not rethink its policy. Instead, the losses were covered with borrowed money.

This led to a full-blown economic crisis in the 1980s, coinciding with another sharp rise in international oil prices, a global economic recession and a decline in the price of raw materials. Public revenue fell dramatically and the country’s debts mounted. In 1981 the government began to adopt the IMF’s recommendations, starting with the suspension of aid to state-owned enterprises. Wherever possible, these companies were either privatised or converted into cooperatives; failing that, they were closed down. Cutbacks were also made elsewhere. Between 1982 and 1985, for example, public spending was halved. Expenditure on health care and education was reduced to bare bones. The IMF began making new loans to Ivory Coast in recognition of these cutbacks and after 1985 the economy picked up again slightly, though not for long, since in 1987 international prices for cocoa and coffee fell to below the farmers’ cost price. This made it increasingly difficult to maintain state revenue through exports, even if only to pay off the country’s debts. In 1990 there was another round of cutbacks: spending on education and health care was further curtailed, as was civil servants’ pay. Government officials who were not dismissed saw their salaries slashed by forty per cent. Ivory Coast entered the 1990s with its economy in crisis.

e) Economic problems in conflict regions

The pursuit of economic reform under peaceful conditions was by no means possible throughout the whole of Africa. In countries embroiled in enduring armed conflicts, such as Angola and Mozambique (which had not become independent from Portugal until 1975), the need for change was even greater than in other regions. Not only were these countries faced with the classic political and economic problems – inefficient government, low economic competitiveness, declining output, bureaucracy, corruption, mismanagement and the disorganisation of state-owned enterprises, the failed collectivisation of agriculture, a rising state budget and trade balance deficit, an overvalued currency and, as a result, parallel (i.e. black) markets – they were also forced into high defence spending and were struggling with a lack of internal security. All this eroded living standards. Shops ran out of merchandise and markets vanished because there was nothing left to sell. Imports were unaffordable. What little revenue governments did manage to generate was used to purchase arms. In the 1980s, after the withdrawal of Soviet aid, Mozambique’s income dried up almost completely, while Angola’s revenue remained at a reasonable level only due to its income from oil. With the exception of the oil sector in Angola, neither country made significant investments due to the lack of internal security.
Mozambique was therefore in greater need of a new economic policy than Angola. It joined the IMF and the World Bank in 1984, and began to discuss a structural adjustment programme. These talks progressed very slowly since the government in Maputo was inclined to view the liberalisation process merely as a new phase in the socialist development of Mozambique, whereas the international financial institutions saw it as a first stage in the complete dismantling of the country’s planned economy. In 1987, a few months after the death of socialist president Somora Machel, the Mozambican government made a radical change of direction. It adopted a new programme of economic recovery designed to lead to a market economy. Public expenditure was drastically reduced, price controls were abandoned, the currency was floated, subsidies were abolished or restricted and loss-making state-owned enterprises were forced to borrow on the open market. The result of this policy was to attract new loans from the West and new development aid for investment. The shops were restocked and money could be earned once more. By the late 1980s, the Mozambican economy was growing by a few per cent a year. In 1990, however, this growth collapsed once more. The devaluation of the currency had reached enormous proportions: whereas in 1987, forty meticais had been equivalent to one dollar, by 1990 this had risen to a thousand meticais. This made foreign goods unaffordable.

The Angolan government spent approximately half of state revenue on defence, using it to develop the strongest, best-equipped army in black Africa. This left little over for investment. The economy worsened almost every year, partly due to the war. Mines ground to a standstill, farmers abandoned their fields and trade ceased. Only the extraction and export of oil continued, and the revenue was used to continue the war. Although in 1985 the socialist ruling party gave the formal go-ahead for liberalising the economy, little came of this for several years, since reform was undermined at all levels, both for ideological reasons and out of self-interest; even the lucrative senior posts in state-owned enterprises were under threat. In 1987 Angola applied to join the IMF in order to qualify for loans, but because of the ongoing war this request met with political objections from the United States, which backed the UNITA rebel movement. Washington was unwilling to relax its opposition to Angolan membership of the IMF until a peace settlement had been negotiated. For these political reasons, too, the war hampered economic recovery.

In Sudan, economic development was a low priority. Living conditions for many Sudanese were undermined by the tensions between the Arab (Muslim) north and the black African (Christian and animist) south. Rural areas suffered appallingly from the conflict and from neglect by the authorities. Although Sudan has relatively large tracts of high-quality agricultural land for its small population, it nevertheless endured repeated famines. The government constantly overspent, yet because it adopted a pro-Western stance and occasionally made one or two half-hearted attempts to liberalise the economy, it continued to receive loans to repay its debts. However, this changed during the 1980s when the government in Khartoum, inspired by the Islamic revolution in Iran, began to follow an increasingly pro-Islamic course. The civil war with the south flared up again and Sudanese terrorists carried out attacks in various countries. The United States suspended aid to Khartoum and added Sudan to its list of rogue states. Aid from the Middle East kept the country afloat for a while, but dried up when Khartoum sided with the Iraqi dictator Saddam Hussein during the Gulf War. Oil sales provided some respite, but since Sudan’s pipelines and oil fields were a key target for southern rebels, even this source of income remained unreliable.

The independent countries bordering the strongholds of white rule in Southern Africa regarded themselves as ‘frontline states’; although not formally at war with South Africa, Rhodesia or (until 1975) Angola and Mozambique, they nonetheless opposed them in ways that had economic repercussions. South Africa and its neighbours, with their highly developed economies and advanced infrastructures, would have made logical trading partners for the frontline states. Economically, this would have been far more attractive than looking for import and export opportunities along the coastline further to the north, where there were no decent port facilities and connections with the
hinterland were poor. However, the frontline states refused on principle to make such choices on an economic basis (with the exception of Malawi, which remained on good terms with South Africa and Rhodesia for just this reason). It is difficult to assess what economic consequences this moral stance had for the frontline states, especially as it brought them the benefit of additional donor aid, not just from the West but also from socialist countries as a result of the Cold War. For example, the People’s Republic of China financed and built a railway line from Zambia to the coast of Tanzania (the ‘Tanzam Line’) to promote international trade with Zambia, a landlocked country.

f) The social costs of the reforms

The economic stagnation or decline of almost all the African countries inevitably had social repercussions. By around 1990, many countries had lower per capita incomes than immediately after independence. Basic social services such as education and health care, the vast majority of which were state-run in Africa, were under constant threat of bankruptcy. Generally speaking, African governments were overspending. This could not continue, especially since these governments themselves were offering no prospect of improvement. It thus became necessary for the international donor community, which was after all financing Africa’s deficits, to take the lead in introducing unavoidable economic cutbacks. The social impact of these measures would be felt by practically everyone in Africa. This sometimes created the impression that these international institutions and donors (especially the IMF and the World Bank) had actually caused the problem. But in fact, unsparing economic and social reforms were inevitable; the money had simply run out. The structural adjustment programmes provided loans to try to make the inevitable cutbacks more manageable and gradual than they would otherwise have been. They also guided the reforms so that the scarce resources available could be used as effectively as possible after the reform process. Finally, in many countries the programmes probably provided some protection for the most vulnerable population groups, who without external influence might well have paid more dearly for the excesses of their political and economic elites. 15

The funds that were still available to Africa by the 1980s were certainly scarce. They amounted to far less, in fact, than was needed to maintain the standard of living. The structural adjustment programmes forced governments to make some painful choices. As frequently mentioned above, public spending had to be drastically curtailed. One of the ways this was done was by channelling most of the scarce funds into areas where they would generate the biggest economic returns. The social sectors were regarded as being largely consumptive without generating much wealth, at least not in the short term. Yet the fact is that hard investment was also reduced in order to limit the damage to basic social services as much as possible.

The cutbacks could not, after all, be based solely on economic factors. Social and moral imperatives also had to be considered. The public employees who lost their jobs may have been among the more affluent city-dwellers (and compared to the rural population could even have been called wealthy), but it should not be forgotten that they often provided for an entire clientele. The decision to reduce or stop paying their salaries could therefore adversely affect countless people, right down to the lowest social classes. And it sometimes raised a serious moral dilemma. Normally, investment in education was guaranteed to yield returns. But how (to cite the most extreme example) was a government to deal with children suffering from AIDS, whose parents had already succumbed to the disease? Should they be given additional supervision and counselling, which would cost money? These children were almost certain to die, so any money spent on them could not be justified in terms of economic growth. Yet surely they could not simply be left to their fate? In practice, non-economic factors often came into play.

How did structural adjustment affect African society? Naturally, the answer differs widely from country to country and from sector to sector, but in general it seems that social conditions did not dramatically worsen during the 1980s. Certainly a number of basic social indicators showed no perceptible deterioration. Life expectancy, for example, continued to rise. Whereas in 1973, Africans
could on average be expected to live to about the age of 45, by 1985 this had risen to 49, and by 1991 average life expectancy had reached 51. Child mortality fell during the same period, from 137 per thousand births in 1973 to 118 in 1985 and to 107 in 1991. Literacy increased in percentage terms among both men and women, rising among men from 37% in 1973 to 56% in 1985, and reaching 62% in 1991. Among women, it rose from 11% in 1973 to 33% per cent in 1985, attaining 39% in 1991.16

However, these figures should not be allowed to give the impression that there were no serious problems. In the 1980s, many countries spent considerably less on education and health care than they had previously. One effect was a lower ratio of doctors and nurses to patients. While the population continued to grow rapidly, many qualified doctors and nurses were emigrating. And medical treatment and hospitalisation grew more expensive because patients were required to pay higher user fees for them. There were similar trends in the education sector, with a decline in the ratio of teachers to pupils. School fees went up and subsidies for school meals and textbooks were abolished.17 Although these adverse developments had not yet appeared in the social indicators during the 1980s, by the 1990s they had.

Incomes were largely dependent on work. The decline of the formal sector was discussed above. Public employees saw their jobs disappear due to cutbacks and intense competition led many businesses to close their doors. Many who managed to keep their jobs saw their wages slashed. In addition to the direct effect this had on the workers concerned – whose jobs had kept them out of the worst poverty – there was also an indirect effect on those who depended on their wages. A single wage earner might well have been supporting large numbers of people, who were often among the poorest of the poor. On the other hand, employment in the informal sector rose sharply in many African countries. All the same, work in this sector did not provide the same security as ‘real’ employment. Moreover, it was not generally clear whether the growth of the informal sector entirely made up for the decline in employment in the formal sector. This differed from country to country. In countries where the informal sector grew more slowly, large groups of people saw their incomes plummet.

An additional question was what exactly incomes could buy. Each new structural adjustment loan from the international financial institutions enabled a country to start importing goods again. The shops and markets would be well stocked. The country’s economic fortunes would appear to improve for a time until prices rose too sharply and the goods became unaffordable. Part of the reform process, after all, was to ensure that national currencies assumed their real value, which was much lower than the artificial exchange rate previously maintained by the government. This reduced purchasing power. Moreover, the public had to pay for products and services that had in the past been subsidised, such as food, education and health care. This increased the cost of living, especially in the towns and cities. The situation in rural areas was generally better: price rises were minimal since rural populations bought few imported products. Rural producers were also paid more for their output. As a result, purchasing power often increased outside the major cities.

So while the effects of the economic decline and the reforms were not detrimental to all population groups, the living standards of large sections of the population nevertheless worsened. This conclusion is supported by the average economic growth rates from the 1980s, which were lower than those of population growth. Per capita GNP in Africa fell between 1980 and 1992 by an average of 0.8 per cent per year.18 Poverty either remained a serious problem or became one.

g) A new danger: the disintegration of the state

As we have seen, the structural adjustment programmes were not an unqualified success. Yet looking back, it is clear that these programmes alone did not have the potential to restore economic growth. The fundamental issue was the African approach to the economy and the economic choices made by the leaders of the independent states. Furthermore, the physical and social infrastructure was inadequate to bring about the growth that was so sorely needed.
African economies were traditionally characterised by redistribution mechanisms designed to share wealth. In the exceptional cases where there was a substantial accumulation of riches, they were mainly put to economically passive use as a way of demonstrating affluence and drumming up political support, rather than being used for investment. The aim was economic and social security, not growth. A more or less equitable distribution of income was regarded as more important than an increase in output. Colonialism introduced a different economic system to Africa, which gradually gained ground on the surface, and in some sectors more deeply. Following independence, cultural and social factors gave renewed importance to Africa's indigenous economic practices. The continent's new leaders had generally received a Western education, but they were quickly reabsorbed into the African system. Clientelist ties began to dominate the whole political and social spectrum. The modernisation that had taken place mainly in the 1950s and 1960s, but which since then had remained limited in scope, was swept along in this clientelist system. This tiny core of modernity was not enough to change the rest of society, and what was essentially a non-indigenous element was therefore simply subsumed into the traditional African social system. For instance, state-owned enterprises were clearly used for purposes of redistribution, not growth.

The economic growth of the 1950s and 1960s had shifted this redistribution system into high gear. However, when economic growth stalled and eventually reversed in the 1970s, it became increasingly difficult to maintain the same high level of redistribution. Foreign capital was used to plug the widening financial gap. These burgeoning loans created Africa's debt problem. The economic cutbacks that followed in the 1980s had far-reaching political and social effects as well as economic ones. The structural adjustment programmes pushed redistribution into the background and championed a return to the principles of the growth economy. Restructuring was designed in part to raise output but the reforms only succeeded in one or two sectors, notably agriculture.

Before growth could take place, many conditions had to be met – conditions that went much further than the requirements laid down by the structural adjustment programmes. One of these was the availability of a skilled workforce. Africa could not adequately satisfy this requirement with its existing educational system. The state of its physical infrastructure was also a serious drawback. Although many roads were being built in Africa, an equal number of existing roads were disappearing just as quickly through lack of maintenance, so that the network never truly expanded. At the end of the twentieth century, the railway network was still about the same size as it had been in the 1920s. Moreover, it was put to very little use. Various cultural conditions for growth were also absent, for example the work ethic, organisational and managerial capacity and trust. Legal certainty (the certainty that the law will be applied) was poor almost everywhere, as, in some places, was physical security. If all this is taken into account, then it becomes more understandable why the adjustment programmes alone could not restore growth.

Another problem was that some of the programmes were implemented late or only partially, or else in a manner entirely at variance with what had been agreed between the African authorities and the international financial institutions. Even when compared to other parts of the world that went through similar processes, Africa was notable for its slipshod approach to reform and lack of political commitment to it. The reason frequently given for this was that the social costs would otherwise have been unacceptable and would have led to political instability. It was therefore said to be better both for the population as a whole and for the elite if the international community did not try to rush the reforms. Presumably the true explanation for the delays and circumventions lay rather more in the private interests of the political elite, many of whose members stood to lose some of their power (and hence their income) as a result of the reforms.

The problem was that the reforms still focused too narrowly on economic issues, without aiming at any real political change. The 1980s were, in political terms, the years of the old guard (the ‘dinosaurs’), who included presidents Mobutu Sese Seko, Kenneth Kaunda and Daniel arap Moi. During this period, there was no monitoring of political decisions and no political transparency. As a result, the powerful benefited from privatisation (though it must be said that there were often no other
entrepreneurs around). The government’s misappropriation of public revenue grew increasingly shameless. It became gradually clear that the reforms would never make any headway until there was genuine political change. In countries with a reasonable standard of democratic governance (such as Ghana, Uganda and Mali), the results were encouraging. But in those with bad governance (such as Zaire), the reforms had no positive effects at all.

The variable results and the secondary effects of the reforms prompted a great deal of debate. The supporters and opponents of the adjustments, who were initially irreconcilable and diametrically opposed, eventually found their ideas converging to some extent. The IMF’s critics – the ‘structuralists’ – gradually began to acknowledge the importance of exports, advocating the creation of a single African market. They also softened their traditional emphasis on industrialisation, acknowledging the importance of agriculture. For their part, the international financial institutions now accepted that the reforms had a social impact, often a large one. Around 1990, they declared themselves prepared to devote more attention to this social component, to development ‘with a human face’. In the second half of the 1990s, this led to a new economic concept, that of pro-poor growth; in other words, economic growth that is generated primarily through the participation of the poor, who then reap the benefits of that growth. The IMF and the World Bank also relaxed some of the requirements they had imposed on African governments. Their blueprints dictating the nature and timing of reform, which had usually overlooked the diversity of the countries involved, became somewhat more flexible.

However, the main changes made to the reform programmes related to institutions, particularly state institutions. Their weakness in Africa, and in some cases their further erosion as a result of the reforms, gave rise to serious concern. The progressive disintegration of the state was increasingly seen as the main obstacle to the success of the reforms, and in fact as the number one African development problem. Rather than rebuilding institutional capacity, in many countries the reforms accelerated the disintegration of states, with all the tragic consequences one might expect (see chapter 5).

At the end of the Cold War, there were frequent complaints that the structural adjustment programmes were not working and that they should never have been carried out. However, this raises the question of what alternatives were available. Doing nothing was not an option. Governments had been on the brink of bankruptcy when they accepted (and in some cases initiated) the reforms. Without external assistance, their collapse would have been unavoidable. And even then, services such as education and health care would not have been able to survive since there was simply no more money for investments or imports. Africa had no choice but to make its way through the long dark tunnel of reform, though the light at the other end was still far from view.

The deterioration of certain areas, such as basic social services, could be repaired when economic growth returned. What was more serious, as mentioned, was the damage that had been done to the states themselves, whose already weak structures were further undermined by economic contraction and cutbacks. In some countries, it began to look as though the machinery of the state was sustaining irreparable structural damage that would seriously impair their long-term development prospects. But once again, we must ask ourselves what the alternatives were. It would have been absurd for the international community to continue underwriting ineffective, corrupt state systems that fed off clientelist networks. The quality of governance in these countries had to be radically improved and the relations between state and citizen had to be placed on an entirely new footing. However, the prospects for such a radical overhaul were far from promising. Where would Africa draw the strength it needed to reform the state? Yet surprisingly, the need for action overcame the obstacles. In 1989, Africa embarked on several years of remarkable democratisation.

\footnote{Oliver and Fage, 	extit{A Short History of Africa}, p. 191.}
3 Regarding the relative importance of various economic sectors, see Bryceson and Howe, ‘An agrarian
continent in transition’, and Bryceson and Jamal, *Farewell to Farms*.
6 Figures are from various *World Development Reports* by the World Bank. They are not exact, but do
give a reasonable indication of the size of the rapidly growing debt problem.
7 Rodney, *How Europe Underdeveloped Africa*.
8 Callaghy, ‘Africa and the world economy’.
9 UNCTAD, *Foreign Direct Investment in Africa*.
16 Husain, ‘Structural adjustment and the long-term development of Sub-Saharan Africa’, table on p. 162
(based on World Bank figures).
17 Adepoju (ed.), *The Impact of Structural Adjustment on the Population of Africa*.